

Message Text

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TO AMEMBASSY BELGRADE

INFO AMCONSUL ZAGREB

C O N F I D E N T I A L STATE 045671

E.O. 11652: GDS

TAGS: BEXP, YO

SUBJ: YUGOSLAV RAILWAY DEVELOPMENT/PULLMAN-STANDARD JOINT
VENTURE

REF: BELGRADE'S 3413 DTD 7/30/73

1. RICHARD GRIFFIN OF PULLMAN STANDARD HAS CONTACTED MAJOR
EXPORT PROJECTS DIVISION TO DISCUSS RECENT DEVELOPMENTS ON
FIRM'S PROPOSAL FOR JOINT VENTURE MANUFACTURE OF RAILCARS
IN YUGOSLAVIA AND EXPLORE POSSIBILITY USG SUPPORT.

2. AS REPORTED IN REFTEL, PULLMAN REPRESENTATIVES MET
WITH YUGOSLAV ASSOCIATION OF RAILROADS (ZJA) OFFICIALS IN
BELGRADE LAST SUMMER AND RETURNED CONFIDENT THEY HAD ESTAB-
LISHED BASIS FOR JOINT VENTURE WITH LOCAL MANUFACTURER,
MAG. HOWEVER, FIRM THEN WAS INFORMED THAT YUGOSLAV ASSOCIA-
TION OF CAR MANUFACTURERS (ILV) WOULD HAVE TO NEGOTIATE
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DEAL. ILV PRESENTED SERIES OF COUNTERPROPOSALS TOTALLY

UNACCEPTABLE TO PULLMAN. ILV DEMANDED PULLMAN PROVIDE TOTAL FINANCING OF U.S. AND YUGOSLAV CONTENT BUT ALLOW LOCAL MANUFACTURERS 80 PERCENT PARTICIPATION. THIS OFFER CONTRASTED WITH ORIGINAL PROPOSAL CALLING FOR 50 PERCENT PULLMAN CONTENT. APPARENTLY ILV ALSO QUOTED PRICES FOR YUGOSLAV LABOR AND MATERIAL BELIEVED TO BE UNREALISTICALLY HIGH.

3. AS RESULT THESE COUNTERPROPOSALS, PULLMAN LOST INTEREST IN DEAL AND SOUGHT BUSINESS ELSEWHERE. SITUATION CHANGED RECENTLY WHEN, AT STRONGLY IMPLIED SUGGESTION YUGOSLAV AMBASSADOR IN WASHINGTON, FIRM DECIDED RETAIN NEW AGENT: INTERPROGRES TRADING COMPANY, NEW YORK SUBSIDIARY OF YUGOSLAV FIRM, PROGRES. NEW AGENT HAS CONVINCED PULLMAN THAT DEAL CAN BE REALIZED. IT CLAIMS YUGOSLAV NEED FOR ROLLING STOCK IS CRITICAL AND EUROPEAN MANUFACTURERS, ESPECIALLY FRENCH, ARE UNABLE PRESENT PROPOSALS WITH COMPETITIVE FINANCING TERMS.

4. FOREGOING TRANSMITTED FOR EMBASSY BACKGROUND. AT PRESENT, PULLMAN FIRING UP AGREEMENT WITH PROGRES AND ALLOWING PREVIOUS REPRESENTATION CONTRACT TO LAPSE. IT IS ALSO SEEKING THIRD EXTENSION ITS EX-IM BANK PRELIMINARY COMMITMENT TO COVER DEAL. UPON COMPLETION THESE STEPS IT INTENDS MAKE ANOTHER PUSH TO OBTAIN BUSINESS. AT THAT TIME, APPROPRIATE EMBASSY SUPPORT MAY BECOME ESSENTIAL ELEMENT IN WINNING EXPORT JOB. KISSINGER

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